

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Periodic Reporting  
(Proposal Two)

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Docket No. RM2022-8

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Comments pursuant to Order No. 6224. GCA, which comprises about 200 greeting card publishers and other greeting card industry companies, is the postal trade association which speaks for that industry and for the citizen mailer.

GCA believes that Proposal Two would significantly improve the analysis of Postal Service postmaster costs and the quality of the related data, and hence urges the Commission to adopt it. To appreciate the degree of improvement which the Proposal would accomplish, we focused on the issues present in the existing method which it would replace. That older method exhibits some important defects.

*The necessity of replacing the R84-1 postmaster cost analysis.* In Order 5932, the Commission found technical deficiencies in Proposal Ten, and suggested two possible methods which would permit improved calculation of postmaster cost variability. It found those deficiencies disabling and therefore, unavoidably, retained the 38-year-old R84-1 method of determining Cost Segment 1 variability. The Postal Service has adapted one of the Commission's suggested methods and states that it has arrived at a more satisfactory variability analysis.

The R84-1 method used a single variability, applied without distinction to postmasters in grades EAS-18 to EAS-22. That came about, evidently, because in that case the Postal Service regressed Workload Service Credits (WSCs) against minimum salaries to derive a variability figure.<sup>1</sup> But as the Postal Service points out in this case, the likelihood of changes in compensation differs as between different pay grades. It also varies depending on where a given postmaster stands in relation to the minimum and maximum WSCs for his/her pay grade; those near the top of the range are more likely to experience a grade change than those in the middle.

These are among the difficulties created by the discontinuous nature of postmaster compensation. The R84-1 method largely ignored them. In the present case, the Postal Service, making use of the Commission's advice, has dealt with them in a workmanlike way. In GCA's view, the proposal here does represent an improvement in costing technique and thus qualifies for approval under 39 U.S.C. sec.3652(e)(2).

Yet another reason to replace the old method with the one submitted as Proposal Two is that the old method failed to address higher-paid postmasters. As Prof. Bradley notes in his report<sup>2</sup>, postmaster costs for grades EAS-24 and above were simply assumed to be wholly institutional. This was a feature of the costing treatment used by the Service in Dockets R80-1, R84-1, and later<sup>3</sup>. It still prevails, as the numbers in the FY 2021 *Public Cost Segments and Components* report, tab CS01, demonstrate. While the total cost of EAS-24 and above postmasters is not large (about \$63 million in FY 2021), it seems highly improbable that the way in which this cost is determined by management has no direct, or measurable, relation to volume, the absence of which was the

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<sup>1</sup> Docket R84-1, Appendix J, paras. 0006 et seq. The Commission there objected to the assumption that WSCs reflected all the different activities of postmasters and were *therefore* a suitable basis for variability analysis.

<sup>2</sup> Michael D. Bradley, *Calculating Variabilities for Postmaster Costs*, p. 37.

<sup>3</sup> See, e.g., PRC Op. R84-1, Appendix J, CS I, passim; PRC Op. R87-1, Appendix J, CS I, paras. 003 et seq.; particularly paras. 006-007..

original justification for treating them as 100 percent institutional.<sup>4</sup> Proposal Two corrects this omission with respect to EAS-24, where cost for that grade is shown to be 7.83 percent variable, rather than zero percent.<sup>5</sup>

GCA does not assume that Proposal Two solves every difficulty in estimating the volume variability of postmaster costs. It is, however, such a substantial improvement<sup>6</sup> on existing practice that the Commission should adopt it.

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Respectfully submitted,

GREETING CARD ASSOCIATION

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<sup>4</sup> See PRC Op. R84-1, Appendix J, para. 0003.

<sup>5</sup> Bradley, *op. cit.*, Table 11. That 7.83 percent is actually the highest variability percentage Prof. Bradley found for any of the pay grades covered.

<sup>6</sup> As we understand section 3652(e)(2), it requires improvement but does not require the Postal Service and the Commission to reach perfection all in one step.